



***United States Attorney
District of New Jersey***

FOR IMMEDIATE RELEASE

February 7, 2011

www.justice.gov/usao/nj

CONTACT: Rebekah Carmichael

Office of Public Affairs

(973) 645-2888

**FORMER CONTROLLER OF NEW JERSEY-BASED INSURANCE BROKERAGE
FIRM PLEADS GUILTY TO INVOLVEMENT IN FRAUDULENT LOAN SCHEME**

NEWARK, N.J. – The former controller of New Jersey-based insurance brokerage firm Smith Gatta Gelok admitted today that he attempted to conceal former partner Gavin Gatta’s \$20 million fraudulent loan scheme, U.S. Attorney Paul J. Fishman announced.

Donald Bargholz, 49, of Jackson, N.J., pleaded guilty to an Information charging him with one count of misprision of felony before U.S. District Court Judge Dennis M. Cavanaugh in Newark federal court.

According to the Information to which Bargholz pleaded guilty and statements made in court:

Bargholz is the former controller of Smith Gatta Gelok (“SGG”), an insurance brokerage firm based in Monmouth County, N.J., which assisted businesses in purchasing commercial insurance. Gatta, a former partner in the firm, was sentenced last month to four years in prison for orchestrating a fraudulent loan scheme related to the company’s premium financing assistance.

When businesses could not pay the entire insurance premium up front, SGG would assist them in obtaining financing for the premium from one of several premium finance companies (“PFCs”). Gatta admitted that in 2003, he began preparing fake applications for premium financing on behalf of customers who did not need or request such financing and, in fact, previously had paid the full premium to the insurance carrier. Gatta would submit these fake applications to one of several PFCs and ask that the loan funds be sent back to SGG on behalf of the customer.

Gatta used these fake applications for financing to steal more than \$20 million in illicit proceeds, which he used to fund extravagant personal expenses such as jewelry and luxury automobiles – including a Mercedes, a Porsche, an Aston Martin and several Ferraris.

Bargholz admitted that in 2005, he became aware of Gatta’s scheme but failed to report it to authorities. Instead, Bargholz took steps to conceal the scheme, including creating and maintaining records to support the fraudulent premium finance applications created by Gatta.

The charge of misprision of felony to which Bargholz pleaded guilty carries a maximum penalty of three years in prison and a fine of \$250,000, or twice the aggregate loss to the victims

or gain to Bargholz. Judge Cavanaugh continued Bargholz's release on a \$50,000 bond pending sentencing, which is scheduled for May 31, 2011.

U.S. Attorney Fishman credited special agents of the FBI, under the direction of Special Agent in Charge Michael B. Ward, in Newark, with the investigation that resulted in today's guilty plea.

The government is represented by Assistant U.S. Attorney Christopher J. Kelly of the U.S. Attorney's Office Economic Crimes Unit in Newark.

11-057

###

Defense counsel: John M. Holliday, Esq., Trenton, N.J.